

Highway construction material costs skyrocket 22% in past two years

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A 22% increase in the cost of materials used for highway and street construction over the past two years will likely limit the ability to an analysis by the American Road and Transportation Builders Association (ARTBA).

In 2005 alone, highway contractors paid 13% more for materials over the previous year, ARTBA's analysis of Bureau of Labor Statistics' data found. By contrast, the overall rate of inflation for 2005, as measured by the consumer price index, was just 3.4%.

"Construction costs are going up much faster than highway construction budgets," said Alison Premo Black, the ARTBA research economist who conducted the analysis. "Last year, Congress enacted a new highway bill that increases federal funding for highways about 4.5% per year. This is only a fraction of the recent rise in construction costs. State governments will need additional financial resources to move forward on transportation projects that could improve road safety and reduce traffic congestion."

Black's analysis found that materials and services account for about one half of total project costs.

Increases have hit a number of important highway construction materials including iron and steel, which rose more than 60% in two years; asphalt paving mixtures up 10%; construction sand, gravel and crushed stone up 11%; and ready-mix concrete up 18%. The cost of construction machinery rose 10%, while diesel fuel for construction vehicles rose 88% in two years.

Black said highway contractors are facing much higher material price increases than other sectors of the construction industry. Material prices for non-residential construction were up 7.6% in 2005, maintenance and repair construction material prices increased 7.9%. These differences are due to the different types of materials used in the construction process, she said.

Source: ARTBA February 1, 2006

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